

Bipartisan Group of Lawmakers Strongly Urge Federal Regulators to Reconsider Rule That Would Shut Out Qualified, Responsible Homebuyers

Insist Federal Regulators Rework Rigid 20 Percent Down Payment Requirement for Qualified Residential Mortgages

WASHINGTON – U.S. Senators Johnny Isakson, R-Ga., Kay Hagan, D-N.C., and Mary Landrieu, D-La., and **U.S. Congressmen John Campbell, R-Calif.**, and Brad Sherman, D-Calif., today hosted a news conference calling on federal regulators to revise their proposed 20 percent down payment requirement for Qualified Residential Mortgages. The lawmakers reiterated that the regulators' proposed rule would shut out responsible homebuyers and further cripple the housing market.

The lawmakers were joined by the "Coalition for Sensible Housing Policy," which is comprised of more than 40 consumer and industry groups that are united in opposing the proposed 20 percent down payment rule and that share the goal of giving American families access to affordable mortgages. Members of the coalition include the American Bankers Association, Center for Responsible Lending, Community Mortgage Banking Project, Consumer Federation of America, Credit Union National Association, Mortgage Bankers Association, Mortgage Insurance Companies of America, National Association for the Advancement of Colored People (NAACP), National Association of Federal Credit Unions, National Association of Home Builders, National Association of Realtors, , National Fair Housing Alliance, National NeighborWorks Association and the National Urban League.

"Drawing on over 30 years of experience in the real estate business, I understand the devastating consequences this proposed rule would have on qualified, creditworthy homebuyers and our fragile housing market," said Senator Isakson. "I am thoroughly disappointed that the regulators did not follow our legislative intent and instead are promulgating a rule that would restrict access to affordable mortgages in this country. We don't have a down payment problem in this country, but rather an underwriting problem. I strongly urge regulators to rework their overly rigid down payment requirement for QRM. If left as is, it would make recovery in the housing market almost impossible."

"The strict, inflexible restrictions proposed by banking regulators could put home ownership out

of reach for many creditworthy American families. The proposed rule runs counter to the commonsense, bipartisan provision that Senators Landrieu, Isakson and I included in the Dodd-Frank Act last year. This misinterpretation of our intent could unnecessarily slow the housing market's recovery and prevent well-qualified, middle class families from securing an affordable mortgage. We are urging regulators to go back to the drafting table," said Senator Hagan.

"I was initially concerned with the original risk retention formulation because of the impacts on small mortgage lenders in Louisiana. I am now even more concerned with the current proposed rule because of its affect on credit worthy, moderate and low income borrowers. They sadly will not be able to obtain mortgages at the most competitive rates. The proposed rule is inconsistent with the drafters' legislative intent. As I have mentioned to the regulators on several occasions, we intentionally and explicitly omitted a down payment requirement," said Senator Landrieu.

"The proposed QRM definition is overly narrow. We are asking for a revision of the proposed rule that would reflect the intent of Congress by making sure that prudently underwritten and privately insured loans fall within the definition of a QRM. This is about making the QRM rule both effective for the financial system and fair for consumers," said Congressman Campbell.

"The Qualified Residential Mortgage definition regulators have proposed is so restrictive it threatens to cut off millions of otherwise eligible consumers from the dream of owning a home, and will drive the bulk of real estate lending in this country to the largest institutions that enjoy the lowest cost of capital. That's why Congressman Campbell and I persuaded over 280 of our House colleagues to sign a letter to regulators opposing the rule as it has been drafted," said Congressman Sherman.

"We ask federal regulators to redesign a QRM that comports with Congressional intent: encourage sound lending behaviors that support a housing recovery, attract private capital and reduce future defaults without punishing responsible borrowers and lenders," said the Coalition for Sensible Housing Policy.

Federal regulators have extended the comment period for their proposed 20 percent down payment rule until August 1, 2011.

Lawmakers and various industry and consumer groups have called on regulators several times this year to revise the proposed 20 percent down payment requirement, insisting that the regulators did not follow the Congress' legislative intent and explicit recommendations to require a sensible down payment. In March, Isakson, Landrieu and Hagan led a bipartisan group of 39 Senators in writing a letter urging federal regulators to avoid restricting credit to middle class families working to own a home. In May, **Campbell** and Sherman authored a subsequent letter opposing the rule signed by over 250 members of the U.S. House of Representatives.

In the Senate, Isakson, Hagan and Landrieu worked together to include a provision exempting Qualified Residential Mortgages (QRM) from a requirement in the Dodd-Frank financial reform bill that requires originators to retain at least a 5 percent interest in loan pools, known as "risk retention," sold to investors. Their legislation was intended to ensure that highly qualified homebuyers have access to affordable home loans.

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